



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENA E. M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

PERE MARQUETTE DISTRICT LIBRARY CLARE, MICHIGAN

FINANCIAL STATEMENTS JUNE 30, 2006

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
w1@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name PERE MARQUETTE DISTRICT LIBRARY	County CLARE
Fiscal Year End 6-30-06	Opinion Date 10-3-06	Date Audit Report Submitted to State 11-1-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

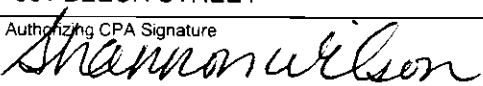
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO SIGNIFICANT ISSUES NOTED	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH		Telephone Number 989-386-3481	
Street Address 601 BEECH STREET		City CLARE	State Zip MI 48617
Authorizing CPA Signature 		Printed Name SHANNON WILSON	License Number 1101027042

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3a-3h
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Governmental Fund	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Change in Fund Balance	8
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Fund to the Statement of Activities	9
Notes to Financial Statements	10-17
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	18-19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	20-21



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. OUMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVELAND, CPA
AMYL L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

Independent Auditors' Report

October 3, 2006

To the Board of Directors
Pere Marquette District Library
Clare, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major funds of Pere Marquette District Library as of and for the year ended June 30, 2006, which collectively comprise the Pere Marquette District Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pere Marquette District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Pere Marquette District Library as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

To the Board of Directors
Pere Marquette District Library
October 3, 2006

In accordance with Government Auditing Standards, we have also issued a report dated October 3, 2006 on our consideration of Pere Marquette District Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Required Supplemental Information

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

PERE MARQUETTE DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Our discussion and analysis of the Pere Marquette District Library's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2006.

Financial Highlights

The Library's net assets increased by \$81,242 or 5%. Program revenues were \$128,211 or 32% of total revenues, and general revenues were \$277,138 or 68%.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pere Marquette District Library financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the Government-wide financial. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Governmental-wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

PERE MARQUETTE DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Reporting the Library as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Library's finances is, "Is the Library better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Library's net assets as a way to measure the Library's financial position. The change in net assets provides the reader a tool to assist in determining whether the Library's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as assessment base, and facility conditions in arriving at their conclusion regarding the overall health of the Library.

Reporting the Library's Most Significant Funds

Fund Financial Statements

The Library's fund financial statements provide detail information about the most significant funds – not the Library as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The general fund used by the Library is a governmental fund.

Governmental Funds

The Library's activities are reported in the governmental fund, which focus on how money flows into and out of the general fund and the balances left at year-end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Library's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

PERE MARQUETTE DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Library-wide Financial Analysis

The Statement of Net Assets provides the perspective of the Library as a whole. Exhibit A provides a summary of the Library's net assets as of June 30, 2006:

Exhibit A		Governmental Activities <u>2006</u>
Assets		
Current and other assets		\$ 1,111,797
Capital assets - net of accumulated depreciation		<u>913,796</u>
Total assets		<u>2,025,593</u>
Liabilities		
Current liabilities		75,750
Long-term liabilities		<u>68,000</u>
		<u>143,750</u>
Net Assets		
Invested in property and equipment - net of related debt		830,689
Restricted		950,546
Unrestricted		<u>100,608</u>
Total net assets		<u>\$ 1,881,843</u>

This analysis focuses on net assets. The Library's net assets were \$1,881,843 at June 30, 2006. Capital assets, net of related debt, totaling \$830,689 compares the original costs, less depreciation of the Library's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from property taxes collected for operations of the Library and from campaign funds. Restricted net assets relate to construction funds for the new library building in the amount of \$950,546.

The \$100,608 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

PERE MARQUETTE DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2006

The results of this year's operations for the Library as a whole are reported in the statement of activities (Exhibit B), which shows the change in net assets for the year ended June 30, 2006. Since this is the first full year the Library has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to period beginning February 22, 2005 through June 30, 2005 is not available.

The results of this year's operations for the Library as a whole are reported in the statement of activities (Exhibit B), which shows the changes in net assets for the year ended June 30, 2006.

Exhibit B	Governmental Activities 2006
Revenue	
Program revenue:	
Contributions	\$ 115,737
Charges for services	12,474
General revenue:	
Taxes	198,412
Penal fines	54,857
Interest	15,944
Miscellaneous	7,925
	<hr/>
Total revenue	405,349
	<hr/>
Function/Program Expenses	
Recreation and culture	295,984
Capital campaign	28,123
	<hr/>
Total expenses	324,107
	<hr/>
Change in Net Assets	\$ 81,242
	<hr/>

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$324,107. Certain activities were funded from those who benefited from the programs or by other organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$198,412 in taxes, \$54,857 in penal finds, and with our other revenues, such as interest and state aid revenues.

PERE MARQUETTE DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2006

The Library experienced an increase in net assets of \$81,242. A key reason for the change in net assets was the donation of equipment and land and the receipt of additional campaign revenue. The campaign revenue was offset by campaign expenses. The decrease in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Library's Funds

The Library uses funds to help it control and manage money for particular purposes. Looking at this fund helps the reader consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

The Library's governmental fund reported a fund balance of \$1,051,154, which is above last year's total of \$1,021,231. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2006 and 2005.

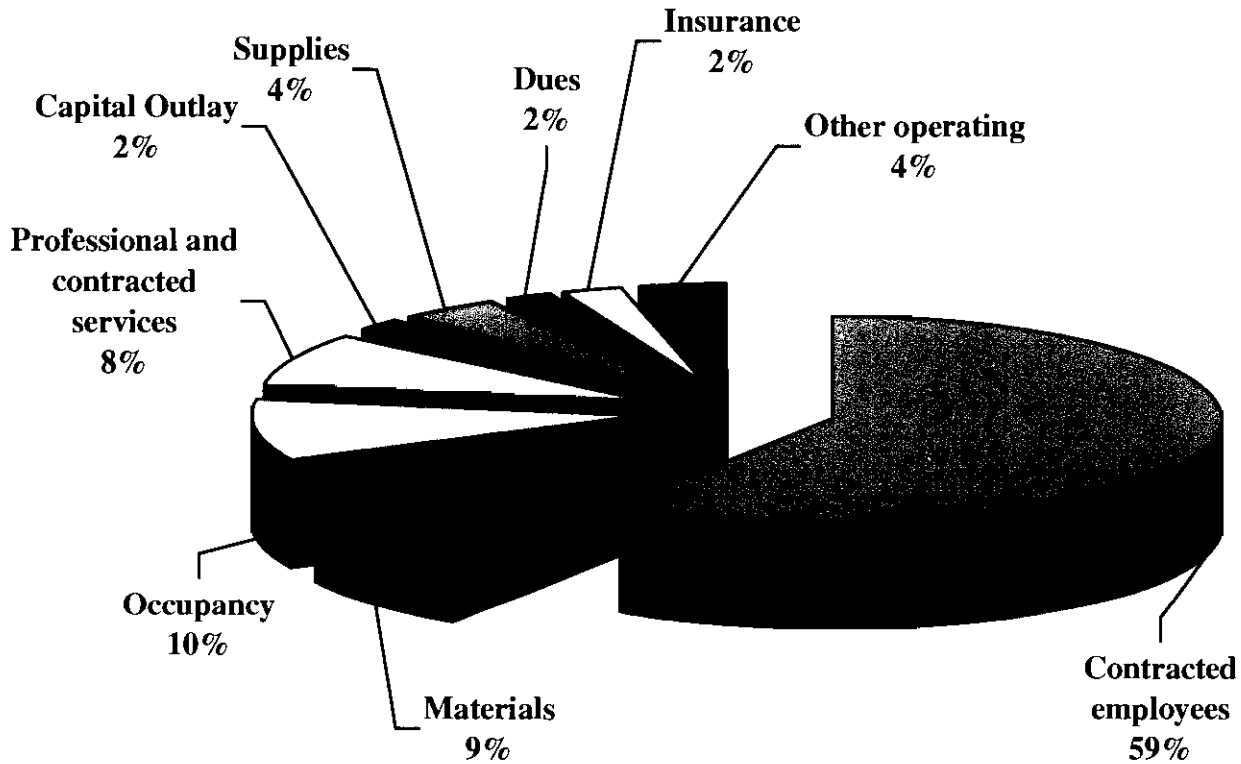
	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase (Decrease)</u>
General Fund	\$ 100,608	\$ 33,822	\$ 66,786
Capital Project Fund	950,546	987,409	(36,863)
	<u>\$ 1,051,154</u>	<u>\$ 1,021,231</u>	<u>\$ 29,923</u>

- Our General Fund increased \$66,786. The increase is mainly due an increase in the amount of property taxes and penal fines received. The capital outlay purchases in the current year were minimal.
- Our Capital Project Fund decreased \$36,863. The decrease is due to the costs of the construction for the new library.

PERE MARQUETTE DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2006

As the graph below illustrates, 59% of the Library's General Fund resources are spent on personnel costs. Another 10% is spent on occupancy, which includes utilities, communications and repairs and maintenance, while 9% is materials expense. The remaining 22% is spent on other expenditures as shown below.

Expenditures



PERE MARQUETTE DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2006

General Fund Budgetary Highlights

Over the course of the year, the Library revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Final budgeted revenues were \$27,476 over the original budget due to an increase in property taxes, penal fines, and miscellaneous revenue.
- Final budgeted expenses were \$27,476 over the original budget due to an increase in salaries and wages, repairs and maintenance, contracted services, professional fees and miscellaneous expenses.

The differences between the budget and the final actual amounts are as follows:

- Actual revenues under budgeted revenue by \$5,631. The difference is due to less property taxes being collected than budgeted.
- Actual expenditures were under the budgeted expenditures by \$72,417. The difference is mainly due to payments on the USDA loan being delayed until the 2007 fiscal year and fewer capital outlay and miscellaneous expenses.

Capital Assets

At June 30, 2006, the Library had \$913,796 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of \$100,636 from last year.

	2006	2005
Land	\$ 50,000	\$ 0
Construction in progress	150,624	0
Library collection	702,380	777,007
Equipment	89,776	74,526
Total capital assets	992,780	851,533
Less accumulated depreciation	78,984	38,373
Net capital assets	<u>\$ 913,796</u>	<u>\$ 813,160</u>

This years additions of \$215,874 included the donation of several computers and land. The Library also purchased a data microfilming machine and began the construction on the new building.

PERE MARQUETTE DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended June 30, 2006

We anticipate significant additions to the capital assets in the upcoming year. The Library is currently in the process of constructing a new building. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Library had \$78,000 in long-term debt outstanding. The long-term debt consisted of the following:

	<u>2006</u>	<u>2005</u>
Bonds	<u>\$ 78,000</u>	<u>\$ 0</u>

Factors Expected to Have an Effect on Future Operations

We expect revenue from property taxes to be comparable to the current year. We will need to adjust Library expenditures in response to any revenue shortfall.

Requests For Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Pere Marquette District Library. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Pere Marquette District Library
101 E. Fourth Street
Clare, MI 48617

PERE MARQUETTE DISTRICT LIBRARY
Statement of Net Assets
June 30, 2006

	Governmental <u>Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 946,821
Pledges receivable - net of allowance of \$43,135	164,976
Capital assets - net of accumulated depreciation of \$78,984	<u>913,796</u>
Total Assets	<u>2,025,593</u>
<u>Liabilities</u>	
Accounts payable	147
Accrued contracted services	60,496
Accrued interest	5,107
Long-term liabilities:	
Due within one year	10,000
Due in more than one year	<u>68,000</u>
Total Liabilities	<u>143,750</u>
<u>Net Assets</u>	
Invested in capital assets	830,689
Restricted for new building	950,546
Unrestricted	<u>100,608</u>
Total Net Assets	<u>\$ 1,881,843</u>

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY
Statement of Activities
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for</u>	<u>Operating Grants/</u>	<u>Capital</u>	<u>Activities</u>
		<u>Services</u>	<u>Contributions</u>	<u>Grants and</u>	<u>Net (Expense)</u>
				<u>Contributions</u>	<u>Revenue and</u>
					<u>Changes in</u>
					<u>Net Assets</u>
Primary Government -					
Governmental activities:					
Recreation and culture	\$ 295,984	\$ 12,474	\$ 5,630	\$ 11,500	\$ (266,380)
Capital campaign	<u>28,123</u>	<u>0</u>	<u>48,607</u>	<u>50,000</u>	<u>70,484</u>
Total governmental activities	<u>324,107</u>	<u>\$ 12,474</u>	<u>\$ 54,237</u>	<u>\$ 61,500</u>	<u>(195,896)</u>
General revenues:					
Taxes					198,412
Penal fines					54,857
Interest					15,944
State aid					<u>7,925</u>
Total general revenues					<u>277,138</u>
Change in net assets					<u>81,242</u>
Net assets - beginning of year, as previously stated					1,814,155
Prior period adjustment					<u>(13,554)</u>
Net assets - beginning of year, restated					<u>1,800,601</u>
Net assets - end of year					<u>\$ 1,881,843</u>

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY
Governmental Fund
Balance Sheet
June 30, 2006

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 161,251	\$ 785,570	\$ 946,821
Pledges receivable - net of allowance of \$43,135	<u>0</u>	<u>164,976</u>	<u>164,976</u>
	<u>161,251</u>	<u>950,546</u>	<u>1,111,797</u>
 <u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts payable	\$ 147	\$ 0	\$ 147
Accrued contracted services	<u>60,496</u>	<u>0</u>	<u>60,496</u>
Total liabilities	<u>60,643</u>	<u>0</u>	<u>60,643</u>
 <u>Fund Balance</u>			
Reserved for new building	0	950,546	950,546
Unreserved:			
Undesignated	<u>100,608</u>	<u>0</u>	<u>100,608</u>
Total fund balances	<u>100,608</u>	<u>950,546</u>	<u>1,051,154</u>
Total Liabilities and Fund Balances	<u>\$ 161,251</u>	<u>\$ 950,546</u>	<u>\$ 1,111,797</u>

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY
Reconciliation of Balance Sheet of Governmental Fund
to the Statement of Net Assets
June 30, 2006

Total fund balance - governmental fund	\$ 1,051,154
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	992,780
Accumulated depreciation	(78,984)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(78,000)
Accrued interest payable is not included as a liability in governmental activities	(5,107)
	<hr/>
Total net assets - governmental activities	<u><u>\$ 1,881,843</u></u>

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY
Governmental Fund
Statement of Revenues, Expenditures and
Change in Fund Balance
For the Year Ended June 30, 2006

	General Fund	Capital Project Fund	Total
<u>Revenues</u>			
Taxes	\$ 198,412	\$ 0	\$ 198,412
Penal fines	54,857	0	54,857
Miscellaneous	6,820	94	6,914
Contributions	5,630	48,607	54,237
Local contracts	4,323	0	4,323
Library fines	1,237	0	1,237
Interest	761	15,183	15,944
State aid	7,925	0	7,925
Total revenues	<u>279,965</u>	<u>63,884</u>	<u>343,849</u>
<u>Expenditures</u>			
Current operations	209,091	0	209,091
Capital campaign	0	28,123	28,123
Capital outlay	4,088	150,624	154,712
Total expenditures	<u>213,179</u>	<u>178,747</u>	<u>391,926</u>
Excess (deficiency) of revenue over expenditures	66,786	(114,863)	(48,077)
<u>Other Financing Sources</u>			
Proceeds from bond issuance	<u>0</u>	<u>78,000</u>	<u>78,000</u>
Net change in fund balance	<u>66,786</u>	<u>(36,863)</u>	<u>29,923</u>
Fund balance - beginning of year, as previously stated	37,097	997,688	1,034,785
Prior period adjustment	<u>(3,275)</u>	<u>(10,279)</u>	<u>(13,554)</u>
Fund balance - beginning of year, restated	<u>33,822</u>	<u>987,409</u>	<u>1,021,231</u>
Fund balance - end of year	<u>\$ 100,608</u>	<u>\$ 950,546</u>	<u>\$ 1,051,154</u>

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY
Reconciliation of the Statement of Revenues, Expenditures,
and Change in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balance - total governmental fund	\$ 29,923
Amounts reported for governmental funds in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(6,821)
Capital outlay	154,374
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(5,107)
Issuance of long-term debt is a revenue in the governmental funds, but not in the statement of activities (where it increases long-term debt)	(78,000)
In the statement of activities, only the loss on the disposal of assets is reported, whereas in the governmental funds there is no activity reported on the disposal of fixed assets.	(74,627)
Governmental funds do not report donated capital assets as revenue; in the statement of activities the donated capital assets are recorded as income	<u>61,500</u>
Change in net assets of governmental activities	<u>\$ 81,242</u>

See accompanying notes to financial statements

PERE MARQUETTE DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pere Marquette District Library (Library) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by Pere Marquette District Library:

Reporting Entity

The Pere Marquette District Library was organized on February 22, 2005 to provide library services to residents of the City of Clare and Grant Township in Clare County and Wise and Vernon Townships in Isabella County. The accompanying financial statements present the government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PERE MARQUETTE DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Project Fund is used to record the cost of construction and furnishing of the new library building.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

PERE MARQUETTE DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Equipment is being depreciated using the straight-line method over the following useful lives:

Equipment	5 to 10 Years
-----------	---------------

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PERE MARQUETTE DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Pere Marquette District Library follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Library's director submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

During the year ended June 30, 2006, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Current:			
Materials	\$ 18,365	\$ 18,595	\$ (230)
Postage	1,000	1,039	(39)
Operating supplies	5,000	5,400	(400)
Utilities	7,042	7,211	(169)
Dues	4,615	4,649	(34)

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

PERE MARQUETTE DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Library's deposits are in accordance with statutory authority.

At year-end, the Library's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	<u>\$ 946,821</u>

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2006, \$853,181 of the Library bank balance of \$953,181 was exposed to custodial credit risk.

The Library's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The Library had no investments as of June 30, 2006.

PERE MARQUETTE DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Library for the current year was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 0	\$ 50,000	\$ 0	\$ 50,000
Library collection	777,007	0	74,627	702,380
Construction in progress	0	150,624	0	150,624
	<u>777,007</u>	<u>200,624</u>	<u>74,627</u>	<u>903,004</u>
Capital assets being depreciated:				
Equipment	<u>74,526</u>	<u>15,250</u>	<u>0</u>	<u>89,776</u>
Less accumulated depreciation for:				
Equipment	<u>72,163</u>	<u>6,821</u>	<u>0</u>	<u>78,984</u>
Net capital assets being depreciated	<u>2,363</u>	<u>8,429</u>	<u>0</u>	<u>10,792</u>
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 779,370</u>	<u>\$ 209,053</u>	<u>\$ 74,627</u>	<u>\$ 913,796</u>

Depreciation expense was charged to Library as follows:

Recreation and culture	\$ 6,821
------------------------	----------

PERE MARQUETTE DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 5 – LONG-TERM DEBT

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2005	Additions	Retirements and Adjustments	Balance June 30, 2006
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Bonds	\$ 0	\$ 78,000	\$ 0	\$ 78,000

Bonds payable at June 30, 2006 is comprised of the following issues:

Revenue serial bonds due in	
annual installments of \$10,000 to \$15,000	
through December 1, 2015; interest at 4.375%	\$ 78,000

The Library signed a commitment with the USDA on June 15, 2006 to borrow up to \$1,545,000 in building and site bonds for the construction and furnishing of a new library building. As of June 30, 2006, the Library had received \$78,000 from the bond issue. Future installment payments will be received in the 2007 fiscal year.

PERE MARQUETTE DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended June 30, 2006

NOTE 6 – RISK MANAGEMENT

The Pere Marquette District Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Pere Marquette District Library participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Pere Marquette District Library.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Boards Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

The fund balance and net assets of Pere Marquette District Library at July 1, 2005, have been decreased by \$13,554. The adjustment was made to record prior period expenses for construction costs.

NOTE 8 – SUBSEQUENT EVENTS

The Library signed a commitment with the USDA on June 15, 2006 to borrow up to \$1,545,000 in building and site bonds for the construction and furnishing of a new library building. As of June 30, 2006, the Library had received \$78,000 from the bond issue. Future installment payments will be received in the 2007 fiscal year.

Required Supplemental Information

PERE MARQUETTE DISTRICT LIBRARY
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 195,931	\$ 203,711	\$ 198,412	\$ (5,299)
Penal fines	43,174	54,857	54,857	0
Miscellaneous	2,850	6,640	6,820	180
Contributions	1,200	5,530	5,630	100
Local contracts	5,073	5,073	4,323	(750)
Library fines	1,008	1,160	1,237	77
Interest	900	700	761	61
State aid	7,984	7,925	7,925	0
Total revenues	258,120	285,596	279,965	(5,631)
<u>Expenditures</u>				
Current				
Contracted employees:				
Salaries and wages	91,800	95,000	95,088	(88)
Payroll taxes	6,870	9,000	9,277	(277)
Benefits	22,788	27,100	21,774	5,326
	121,458	131,100	126,139	4,961
Materials:				
Books	15,000	13,900	14,216	(316)
Periodicals and newspapers	3,600	1,965	1,913	52
Audio and visual	3,600	2,500	2,466	34
	22,200	18,365	18,595	(230)
Other:				
Office supplies	3,000	2,500	2,471	29
Postage	1,212	1,000	1,039	(39)
Operating supplies	4,500	5,000	5,400	(400)
Repairs and maintenance	7,640	10,200	10,034	166
Insurance and bonds	5,004	4,798	4,798	0
Contracted services	0	9,150	9,124	26
Utilities	6,834	7,042	7,211	(169)
Professional fees	5,004	10,150	8,595	1,555
Transportation	2,000	2,750	2,686	64

PERE MARQUETTE DISTRICT LIBRARY
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Communications	\$ 3,228	\$ 3,340	\$ 3,075	\$ 265
Dues	5,271	4,615	4,649	(34)
Miscellaneous	120	10,525	5,275	5,250
	<u>43,813</u>	<u>71,070</u>	<u>64,357</u>	<u>6,713</u>
Capital outlay	<u>16,649</u>	<u>11,061</u>	<u>4,088</u>	<u>6,973</u>
Debt service	<u>54,000</u>	<u>54,000</u>	<u>0</u>	<u>54,000</u>
Total expenditures	<u>258,120</u>	<u>285,596</u>	<u>213,179</u>	<u>72,417</u>
Net change in fund balance	<u>0</u>	<u>0</u>	<u>66,786</u>	<u>66,786</u>
Fund balance - beginning of year, as previously stated	37,097	37,097	37,097	0
Prior period adjustment	<u>(3,275)</u>	<u>(3,275)</u>	<u>(3,275)</u>	<u>0</u>
Fund balance - beginning of year, restated	<u>33,822</u>	<u>33,822</u>	<u>33,822</u>	<u>0</u>
Fund balance - end of year	<u>\$ 33,822</u>	<u>\$ 33,822</u>	<u>\$ 100,608</u>	<u>\$ 66,786</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENA E. M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

October 3, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Library Board
Pere Marquette District Library
Clare and Isabella Counties, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pere Marquette District Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pere Marquette District Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Library Board
Pere Marquette District Library
October 3, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pere Marquette District Library's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Library Board, management and related regulatory agencies and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA
SCOTT A. NIETZKE, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIERER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

October 3, 2006

Library Board
Pere Marquette District Library
Clare and Isabella Counties, Michigan

This letter is intended to inform the Library Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Library Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Pere Marquette District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Library's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

601 BEECH STREET
POST OFFICE BOX 297
CLARE, MI 48617
989-386-3481
FAX 989-386-3462
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network

An Independently Owned Member



WEINLANDER FITZHUGH

Library Board
Pere Marquette District Library
October 3, 2006
Page 2

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

Accounting Policies and Alternative Treatments

Management and the Library Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Library. The significant accounting policies adopted by the Library are described in Footnote 1 to the financial statements.

Disagreements with Management

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.



WEINLANDER FITZHUGH

Library Board
Pere Marquette District Library
October 3, 2006
Page 3

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Library.

This report is intended solely for the information and use of the Library Board and management and is not intended to be, and should not be, used by anyone other than the specified parties.

Weinlander Fitzhugh